

Public Employee Retirement System

Analyst: Swanson

Historical Summary

OPERATING BUDGET	FY 2006 Total App	FY 2006 Actual	FY 2007 Approp	FY 2008 Request	FY 2008 Gov Rec
BY PROGRAM					
Ret. Administration	7,938,300	7,415,100	5,640,900	6,068,200	5,795,300
Portfolio Investment	672,800	577,300	745,000	787,400	776,100
Total:	8,611,100	7,992,400	6,385,900	6,855,600	6,571,400
BY FUND CATEGORY					
Dedicated	8,611,100	7,992,400	6,385,900	6,855,600	6,571,400
Percent Change:		(7.2%)	(20.1%)	7.4%	2.9%
BY OBJECT OF EXPENDITURE					
Personnel Costs	3,592,800	3,436,100	3,582,300	3,979,000	3,740,500
Operating Expenditures	4,888,900	4,224,800	2,693,700	2,770,800	2,725,100
Capital Outlay	129,400	331,500	109,900	105,800	105,800
Total:	8,611,100	7,992,400	6,385,900	6,855,600	6,571,400
Full-Time Positions (FTP)	63.00	63.00	63.00	65.00	63.00

Division Description

The mission of the Public Employee Retirement System of Idaho (PERSI) is to provide members and their beneficiaries with reliable, secure, long-term retirement, survivor, and disability benefits as specified by law, and to assist members in planning a secure retirement by providing high quality, friendly service, retirement education and information.

The RETIREMENT ADMINISTRATION program administers the PERSI Base Plan, a Defined Benefit (DB) retirement plan that is mandatory for all eligible state and school district employees, and for employees of political subdivisions which have elected to participate, and provides separation, disability, death and survivor benefits. PERSI also administers the Sick Leave Reserve Fund for state and school district retirees, from which monthly medical insurance premiums are paid, as well as the former Firemen's Retirement Fund and the Idaho Falls and Boise City Police Retirement Funds.

The PERSI Choice Plan is a Defined Contribution (DC) retirement plan which provides a 401(k) plan option to all 65,000 eligible active PERSI members in addition to, and separate from, the DB plan. PERSI established the PERSI Choice Plan as part of the Gain Sharing program adopted by the 2000 legislature.

PERSI is completing a major multi-year Business Process Reengineering project to improve and enhance its customer service delivery system to meet the growing demands for services from an aging membership. The major milestones completed are as follows:

- Conducted a series of strategic planning sessions and a business operations assessment to identify and recommend service and operational improvements.
- Converted and indexed nearly 1.8 million images from microfilm to digital format.
- Reorganized the majority of the staff into three operating units: PERSI Answer Center (PAC), PERSI Processing Center (PPC), and the Employer Service Center (ESC).
- Developed processes and training modules for each of the new operating units.

Future changes include updating the phone system with Voice Over IP, linking field office data and voice system to central office, adding a phone call monitoring system, and implementing an automated workflow system. By changing the way it conducts business, PERSI expects to increase productivity and be able to better measure work efforts.

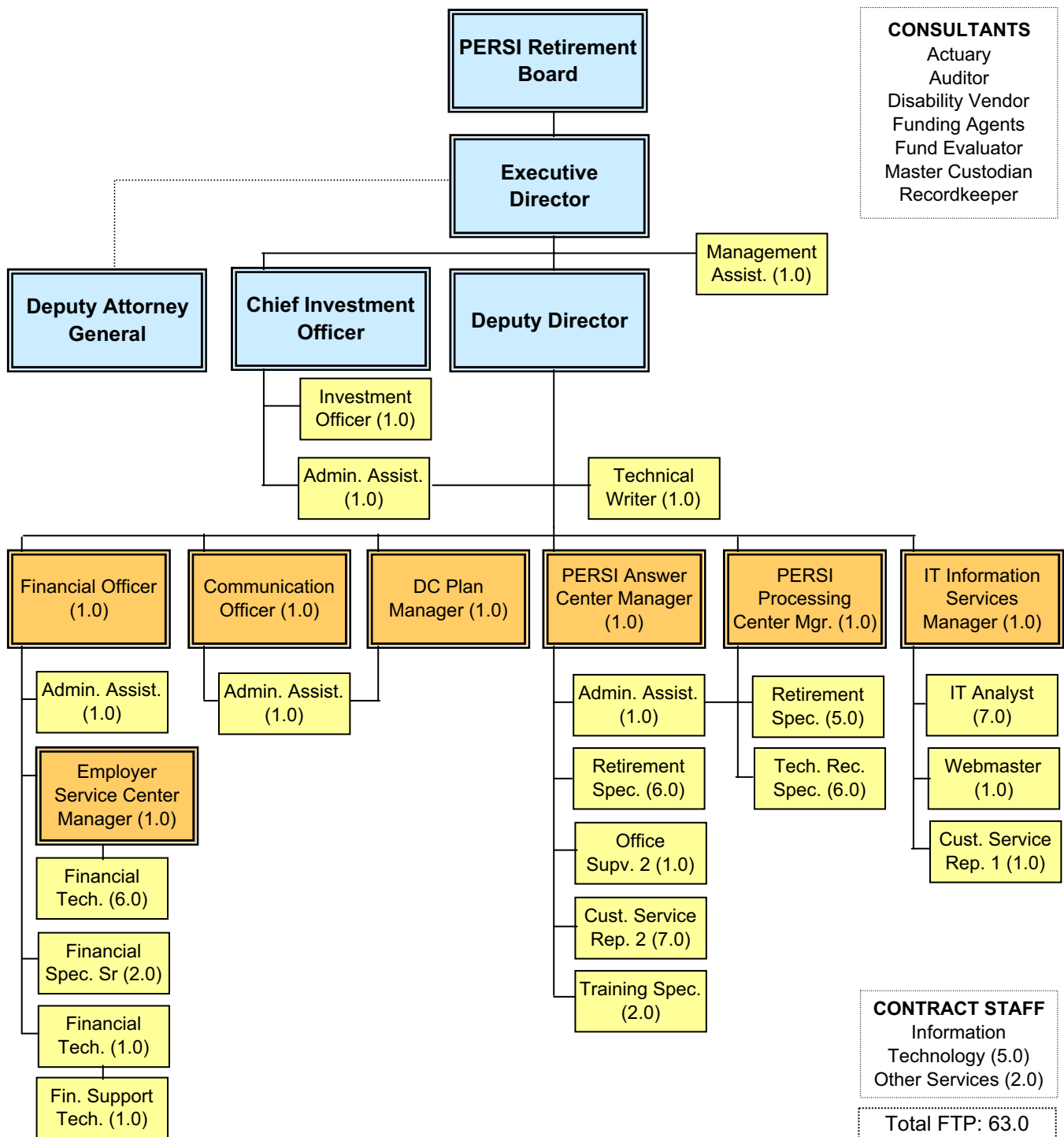
The PORTFOLIO INVESTMENT program is responsible for the management of PERSI assets to ensure secure long-term returns on investments while minimizing investment costs. Beginning in FY 1996, the administrative costs of portfolio investment came under a fixed appropriation. The remaining investment costs continue to operate under a perpetual appropriation as provided in Section 59-1311, Idaho Code.

Public Employee Retirement System

Agency Profile

Analyst: Swanson

Organizational Chart



Public Employee Retirement System

Agency Profile

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Sources/Uses of Funds

FY 2007 Original Appropriation

PERSI Administrative Fund: A portion of the retirement system's annual appropriation is transferred weekly to the Administrative Fund. All moneys transferred to the Administrative Fund are available to the Board for the payment of administrative expenses only to the extent so appropriated by the Legislature.

\$5,640,900

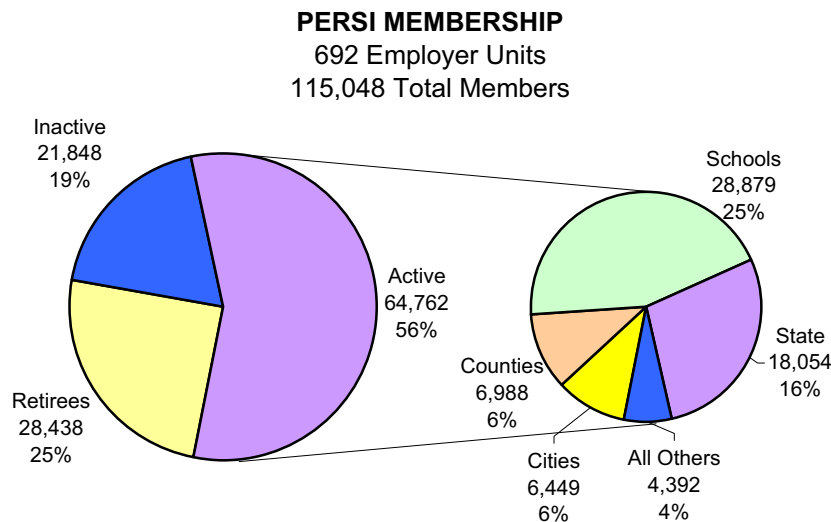
PERSI Special Fund: In order to maximize the return on investment of employee and employer contributions, only a minimum amount of money is kept on deposit at the State Treasurer's Office. Money is wired in from PERSI's master custodian bank when funds are needed to pay administrative expenses, benefits, or other authorized expenses. Although Idaho Code provides that all moneys in this fund are continuously appropriated, the legislature appropriates certain portfolio-related administrative expenses.

\$745,000

Total Appropriation

\$6,385,900

Selected Measures



CONTRIBUTION RATES		FY 2008	FY 2009	FY 2010
General Members:	Employer Rate	10.39%	11.00%	11.61%
	Employee Rate	6.23%	6.60%	6.97%
Fire/Police Members:	Employer Rate	10.73%	11.34%	11.95%
	Employee Rate	7.65%	8.09%	8.53%

Contribution rates were decreased by 3% in November 1997. In 2002, the PERSI Board approved a total contribution rate increase of 3% (including employee and employer rates) to be phased-in over three years, beginning in FY 2005. Each year following the first increase, the Board has postponed implementation of the second and third phases, with the next potential increase now scheduled for FY 2009.

CASE MANAGEMENT/SERVICES PROVIDED	FY 2004	FY 2005	FY 2006
Retirement Estimates Provided	6,015	6,480	6,068
New Retirements Processed	1,891	1,989	2,217
Employer Payroll Reports Processed	11,850	13,380	13,894
Choice Plan Contributing Members	6,771	8,218	9,202

Public Employee Retirement System

Agency Profile

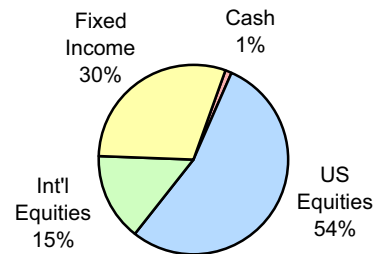
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KEY PERFORMANCE MEASURES

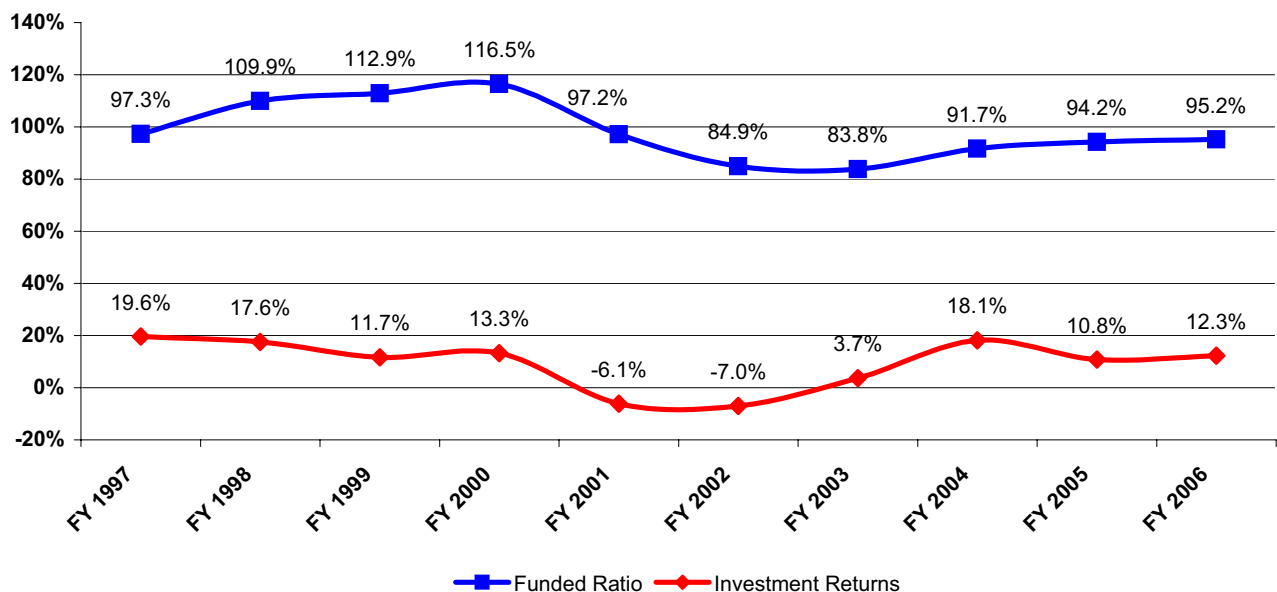
	FY 2004	FY 2005	FY 2006
Summary of Assets for All Plans (millions)			
Beginning Assets	6,742.9	7,953.0	8,815.1
Plus Contributions	393.1	439.6	466.6
Plus Net Investment Income	1,181.3	819.6	1,027.5
Less Benefits Paid & Other Expenses	(364.3)	(397.1)	(441.1)
Ending Net Assets	7,953.0	8,815.1	9,868.1
Benefits Paid (Retirements, Separations, Disability)	\$357,302,000	\$389,992,000	\$ 433,744,000
Expenses as a % of Total Asset Market Value			
Administrative Expenses (Target < .15%)	0.09%	0.08%	0.08%
Total Expenses (Target < .50%)	0.44%	0.45%	0.49%

TARGET ASSET ALLOCATION

The target asset allocation of 70% equity, 30% fixed income is the PERSI Board's primary way to achieve the desired 5% real return on investments (i.e. inflation plus 5%).



PERSI FUNDED RATIO AND INVESTMENT RETURN



The PERSI Base Plan experienced a 12.3% gross return on investments in FY 2006, which equals \$969.4 million in net investment gain. As of July 1, 2006, the PERSI Base Plan fund was valued at \$9.2 billion, up from \$8.2 billion the prior year. The 9.8-year amortization period of PERSI's unfunded actuarial liability is well below the 25-year period required by law.

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2007 Original Appropriation	63.00	0	6,385,900	63.00	0	6,385,900
Removal of One-Time Expenditures	0.00	0	(124,900)	0.00	0	(124,900)
FY 2008 Base	63.00	0	6,261,000	63.00	0	6,261,000
Benefit Costs	0.00	0	88,100	0.00	0	0
Inflationary Adjustments	0.00	0	45,700	0.00	0	0
Replacement Items	0.00	0	116,300	0.00	0	116,300
Statewide Cost Allocation	0.00	0	35,900	0.00	0	35,900
Change in Employee Compensation	0.00	0	110,700	0.00	0	158,200
FY 2008 Program Maintenance	63.00	0	6,657,700	63.00	0	6,571,400
1. Compensation Plan Improvements	0.00	0	104,500	0.00	0	0
2. Compensation Plan Improvements	0.00	0	5,000	0.00	0	0
3. Additional Staffing	2.00	0	88,400	0.00	0	0
FY 2008 Total	65.00	0	6,855,600	63.00	0	6,571,400
Change from Original Appropriation	2.00	0	469,700	0.00	0	185,500
% Change from Original Appropriation			7.4%			2.9%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2007 Original Appropriation	63.00	0	6,385,900	0	6,385,900
Removal of One-Time Expenditures					
Remove funding provided for one-time items.					
Agency Request	0.00	0	(124,900)	0	(124,900)
Governor's Recommendation	0.00	0	(124,900)	0	(124,900)
FY 2008 Base					
Agency Request	63.00	0	6,261,000	0	6,261,000
Governor's Recommendation	63.00	0	6,261,000	0	6,261,000
Benefit Costs					
Restores funding for one health insurance holiday taken in FY 2007. Also includes the employer-paid portion of estimated changes in employee benefit costs.					
Agency Request	0.00	0	88,100	0	88,100
<i>The Governor recommends that all health insurance related adjustments be funded by program changes or utilizing reserves available in the group insurance contract. As the PERSI Board voted to maintain the current contribution rate for the upcoming fiscal year, no adjustment to retirement rates is necessary.</i>					
Governor's Recommendation	0.00	0	0	0	0
Inflationary Adjustments					
This customized inflationary adjustment is a 1.71% increase over base operating expenditures. It is calculated by subtracting statewide allocation plan costs and applying a 1.81% increase for all remaining operating costs.					
Agency Request	0.00	0	45,700	0	45,700
<i>Inflationary increases are provided only for contractual obligations such as leased space costs. Other inflationary requests are not recommended.</i>					
Governor's Recommendation	0.00	0	0	0	0
Replacement Items					
RETIREMENT ADMINISTRATION					
Replacement items include: various software upgrades (\$10,500); 28 PCs (\$1,300 each/\$36,400 total); three laptop computers (\$2,300 each/\$6,900 total); seven servers (\$3,000-\$5,600 each/\$34,000 total); two UPS-battery backup power supply units (\$2,000 each/\$4,000 total); one desk (\$900); one credenza (\$900); five task chairs (\$500 each/\$2,500 total); one bookcase/cabinet (\$500); three printers (\$1,000 each/\$3,000 total); and one fax machine (\$1,600).					
PORTFOLIO INVESTMENT					
Replacement items include: four CPUs (\$1,500 each/\$6,000 total), one fax machine (\$1,600) and one printer (\$7,500).					
Agency Request	0.00	0	116,300	0	116,300
Governor's Recommendation	0.00	0	116,300	0	116,300
Statewide Cost Allocation					
This decision unit includes adjustments for services provided by state agencies as follow: \$31,200 for Attorney General fees, \$4,400 for State Controller fees, and \$300 for property and casualty insurance premiums.					
Agency Request	0.00	0	35,900	0	35,900
Governor's Recommendation	0.00	0	35,900	0	35,900
Change in Employee Compensation					
Reflects the calculated cost of a 3.5% salary increase for permanent and group positions.					
Agency Request	0.00	0	110,700	0	110,700
<i>The Governor recommends a compensation increase of 5% to be distributed based on merit.</i>					
Governor's Recommendation	0.00	0	158,200	0	158,200
FY 2008 Program Maintenance					
Agency Request	63.00	0	6,657,700	0	6,657,700
Governor's Recommendation	63.00	0	6,571,400	0	6,571,400

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
1. Compensation Plan Improvements			Retirement Administration		
PERSI is requesting \$104,500 in ongoing personnel costs for the Retirement Administration program for the first year of a three-year plan to increase employee compensation and move staff toward market salary rates, based on individual performance.					
Agency Request	0.00	0	104,500	0	104,500
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
2. Compensation Plan Improvements			Portfolio Investment		
PERSI is requesting \$5,000 in ongoing personnel costs for the Portfolio Investment program for the first year of a three-year plan to increase employee compensation and move staff toward market salary rates, based on individual performance.					
Agency Request	0.00	0	5,000	0	5,000
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
3. Additional Staffing			Retirement Administration		
PERSI is requesting \$88,400 in ongoing personnel costs for two retirement specialist positions for the Retirement Administration program. The agency states that these positions will help to address a growing workload associated with retiring baby boomers and a continual increase in the number of transactions per member (terminations, new enrollments, deaths, divorces, etc.).					
Agency Request	2.00	0	88,400	0	88,400
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
FY 2008 Total					
Agency Request	65.00	0	6,855,600	0	6,855,600
Governor's Recommendation	63.00	0	6,571,400	0	6,571,400
Agency Request					
Change from Original App	2.00	0	469,700	0	469,700
% Change from Original App	3.2%		7.4%		7.4%
Governor's Recommendation					
Change from Original App	0.00	0	185,500	0	185,500
% Change from Original App	0.0%		2.9%		2.9%